

**General Government
Kentucky Infrastructure Authority**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,979,100	9,825,500	2,343,500	2,840,100
Total General Fund		2,979,100	9,825,500	2,343,500	2,840,100
Restricted Funds					
Balance Forward	2,397,400	472,000		1,621,400	1,121,400
Non-Revenue Receipts	2,904,000	866,800	1,341,500	983,300	1,502,600
Total Restricted Funds	5,301,400	1,338,800	1,341,500	2,604,700	2,624,000
Federal Funds					
Balance Forward	567,800				
Current Receipts	52,771,200	53,197,600	53,208,600	53,172,600	53,172,600
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	50,339,000	50,197,600	50,208,600	50,172,600	50,172,600
TOTAL SOURCE OF FUNDS	55,640,400	54,515,500	61,375,600	55,120,800	55,636,700
EXPENDITURES BY CLASS					
Personnel Cost	2,278,400	3,102,900	3,165,000	2,691,800	2,705,700
Operating Expenses	285,700	382,600	382,600	307,600	307,600
Grants, Loans or Benefits	51,454,900	51,000,000	51,000,000	51,000,000	51,000,000
Debt Service			6,798,000		752,000
Capital Outlay		30,000	30,000		
TOTAL EXPENDITURES	54,019,000	54,515,500	61,375,600	53,999,400	54,765,300
EXPENDITURES BY FUND SOURCE					
General Fund		2,979,100	9,825,500	2,343,500	2,840,100
Restricted Funds	3,680,000	1,338,800	1,341,500	1,483,300	1,752,600
Federal Funds	50,339,000	50,197,600	50,208,600	50,172,600	50,172,600
TOTAL EXPENDITURES	54,019,000	54,515,500	61,375,600	53,999,400	54,765,300

The Kentucky Infrastructure Authority (KIA), pursuant to KRS Chapter 224A, creates and coordinates regional infrastructure planning to promote higher levels of technical, managerial, and financial capacity of water-based utilities. The agency is also charged with promoting economies of scale among and between utilities to benefit consumers. The authority is administratively attached to the Governor's Office for Local Development.

The agency is authorized to issue notes and bonds to provide infrastructure financing for governmental agencies and investor-owned private utilities. The provisions of KRS 224A.165 dictate certain limits on the amount of notes and bonds the Authority can have outstanding. The purpose of the loans is to assist in financing the construction of infrastructure projects. The Authority also provides grants and subsidized loan incentives.

The following provides a description of the Authority's programs:

Fund A - Wastewater Revolving Loan Program - Local wastewater treatment facilities that qualify under the U.S. Environmental Protection Agency (EPA) standards are financed through this program. Jointly administered by the KIA and the Natural Resources Department, loans are provided at below-market interest rates. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B Revolving Loan/Grant Program - This fund finances infrastructure that will enhance economic development and job creation. Loans are made to governmental entities that are unable to wholly finance a project through other public grant or

loan programs, through commercial credit at reasonable rates, or from their own resources. The loans are offered at or below market interest rates for a term not to exceed 30 years. Grants are available, but are reserved for borrowers facing both a financial hardship and an extreme health hazard. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B 2020 Program - This fund provides financing primarily for, but not limited to, water service projects. The fund promotes the merger and consolidation of systems, and encourages the increased financial, managerial, and technical capacity of systems to provide service.

Fund C - Governmental Agencies Program - This program provides local governmental agencies access to funding through the municipal bond market at better terms than could be obtained on an independent basis. Loans are available at terms for up to thirty years for any infrastructure owned by governmental entities in the Commonwealth. The loans may be used to fund totally a construction project or they can be used to supplement grants or cash contributions.

Fund F - Drinking Water Revolving Loan Fund - This fund was established to assist in financing local drinking water treatment and distribution facilities that qualify under EPA requirements. Projects must be recommended by the Kentucky Division of Water from the Project Priority List and must be financially feasible as determined by KIA staff. Loan funds are available on short terms for planning and preliminary design work.

Coal Development and Tobacco Development Funds - These funds were created by the 2003 Regular Session of the General Assembly to support various water and sewer projects in Coal Producing and Tobacco Producing Counties. Each fund was capitalized with \$54,765,000 in bonds by the 2003 session of the General Assembly. The Authority coordinates the process of implementation and provides project administration for the projects funded in these programs. The agency reports that approximately \$51 million remains to be disbursed to previously identified grant recipients in these programs.

Infrastructure for Economic Development Funds - These funds were created by the 2005 Regular Session of the General Assembly in the amount of \$80 million for coal producing counties and \$126 million for tobacco producing counties. The Authority coordinates the process of implementation and provides project administration for the projects funded in these programs. The agency reports that approximately \$200,000 has been disbursed in these programs.

Policy

Included in the General Fund appropriation is \$376,000 in fiscal year 2008 for initial debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the General Fund appropriation is \$376,000 in fiscal year 2008 for initial debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F).

The Governor's recommended budget includes General Fund appropriations in the amount of \$370,000 in fiscal year 2007 and \$311,700 in fiscal year 2008 from the Local Government Economic Development Fund to support services provide to coal producing counties by KIA.